

**United States Agency for International Development  
Bureau for Europe and Eurasia**

## **IMPLEMENTING PARTNERS CONFERENCE**

February 3, 2000  
J.W. Marriott Hotel Washington, D.C.

United States Agency for International Development Bureau for Europe and Eurasia

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## FOREWORD

This report documents the proceedings of the Implementing Partners Conference convened by USAID's Bureau for Europe and Eurasia on February 3, 2000 at the J.W. Marriott Hotel on Pennsylvania Avenue in Washington, D.C. Over 100 partner organizations actively participated in the daylong meeting.

The Conference served as an opportunity to discuss conceptual and operational issues that may affect implementation of the Bureau's new Strategic Framework. The final version of the Framework, entitled From Transition to Partnership, was made available to all participants. Major issues in implementing this new strategy were the focal point of the morning plenary session. Summarized in this report are insightful presentations by Bert Spector, John Marks, Pamela Baldwin, and Lester Salamon.

"Strengthening USAID-Implementing Partner Relationships," the topic for the afternoon plenary session, generated a number of specific recommendations from our partner organizations. These recommendations, highlighted in this report on pages 12, 14 and 16, will be a key part of the agenda at the Bureau's upcoming Senior Leadership Seminar scheduled for March 13-16, 2000. The outcome of these Bureau discussions will be shared with our partner organizations.

These proceedings have generated a dialogue that will be a continuing, central element of the E&E Bureau's outreach, involvement, and commitment to its implementing partners.

**Donald L. Pressley**  
Assistant Administrator  
Bureau for Europe and Eurasia

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## **Executive Summary**

The second E&E Implementing Partners Conference was held in Washington, DC on February 3, 2000. The focus of the conference was the new E&E Strategic Framework.

The morning plenary centered on substantive issues in implementing the Framework.

- Corruption: Its Influence and Steps Being Taken to Mitigate It
- Conflict Resolution: Its Significance in the Region
- Mitigating the Social Impacts of Transition
- The Role of Sustainable Partnerships in Transition and Development.

The afternoon plenary addressed critical operational issues in implementing the Framework.

- Managing for Results: How do we Undertake this Process in a Partnership Mode?
- Selection of Implementing Mechanisms
- Developing Productive Partnerships: What are the Ingredients?

Following the afternoon Plenary, three breakout sessions were held to enable participants to discuss in depth the afternoon's topics and make recommendations.

In his keynote address, USAID Administrator J. Brady Anderson pointed out that changes in the E&E region owe much to American work for freedom, equity, democracy, and international cooperation. Mr. Anderson referred to the challenge, now that the cold war is over, of convincing the United States Congress and the American people that continued foreign assistance is essential for political and economic stability, which are advantageous to Americans as well as to the recipients of the aid. In this area, he said, the implementing partners could provide significant support.

In the morning plenary address, Donald L. Pressley, Assistant Administrator, E&E Bureau, exhorted the partners to help USAID improve communications. He also requested input to help ensure that the impact of the assistance community's work is felt in all parts of the region by all peoples. At the end of the day, closing the Conference, he noted that the day's proceedings, including the reports from the breakout sessions, had provided valuable material that would assist the Bureau in achieving its goal of a common understanding and a consistent approach to implementation. Mr. Pressley said that the input would be used and partners would receive feedback on their suggestions.

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### **Report of Implementation Partners Conference**

February 3, 2000

#### **WELCOME ADDRESS:**

J. Brady Anderson

Administrator

U.S. Agency for International Development

It's nice to be here.

You know, here at USAID we like to think that part of our job is to change the world-to go out and make life better for people in countries from Albania to Zimbabwe. And we do.

One of the things I see over and over is how many people-ordinary, everyday people like you and me-are helped by the work we do. And I think to myself that surely I must have the best job in the world.

And then I come back to Washington and the piles of paperwork on my desk, and I'm not so sure.

No, I'm kidding-I think I do have one of the best jobs in the world. And one of the reasons I think so is that I get to work with people like you, everyday.

People who, like those of us here at USAID, are committed to advancing the values that as Americans we hold so dear: democracy, freedom, tolerance, and equality. And thanks to your hard work, we are seeing some real successes all over the world.

When I was growing up, if someone had come up to me on the street and started talking about democratic elections in Russia, or Poland one day joining the most powerful military alliance in history, I would've laughed-or at least thought they were a little weird.

And yet, in the streets of Washington-or Moscow or Warsaw-this is exactly what people are talking about: holding elections in Russia, establishing the rule of law in Romania, and creating an independent press and judiciary in Ukraine, to name just a few examples.

But I think we do need to realize one important thing: all this did not happen by accident. The revolution that brought democracy to Eastern Europe and Eurasia was largely the result of America working hard for most of the twentieth century to make the world hospitable to free markets, democracy, and international cooperation.

From Woodrow Wilson to Bill Clinton, from George Marshall to Madeleine Albright, American leadership has made the world safer, freer, and yes, more prosperous. USAID has played-and continues to play-an important role in this process.

We cannot turn back on that proud history now, just because the Cold War is over. In many ways, especially because the Cold War is over, we still have a lot of work to do.

You and I know how important our work is. One of my biggest challenges as Administrator, though, is convincing the American people of that fact. These days, there are too many people in too many parts of America who just don't see the point of foreign assistance.

There are Congressmen who brag that they have voted to cut assistance to some of the world's neediest countries-countries that we not only have the resources to help, but that it is in our best interests to help.

There are chicken farmers in my home state of Arkansas who don't understand that when the Russian economy collapses-as it did in August 1998-it means that the largest market for American frozen poultry evaporates overnight.

And there are businessmen and women who don't see that a stable, secure Balkans region means a more stable, secure Europe, which in turn means that Americans will find it easier to trade, travel, and invest there. And it means that the chance that our sons and daughters will be called to war in a region that has already claimed so many lives is that much less. One of the biggest challenges facing USAID over the next few years will be convincing people like these that foreign aid makes a difference in their lives.

We want everyday Americans to know that yes-free press in Romania, market development in Russia, and health reform in Kyrgyzstan does matter to the United States.

But we need your help.

We at USAID call you implementer, contractor, grantee, stakeholder, partner, all of which try to capture how important organizations like yours are to our Agency. You may rely on us, but in many ways we rely even more on you. We need your voice, your commitment and your expertise.

I know this, because I have seen your work-all across Africa, in Jordan, in Guatemala, in Kosovo and in other countries. And I often think to myself-if only other people could see what I see.

In fact, my very first trip as Administrator was to the Balkans in the aftermath of the Kosovo crisis. In Bosnia-Herzegovina, I sat under a plum tree in the village of Podkraj and listened to the stories of returning refugees, all of whom were so grateful for the work USAID is doing there.

And in Kosovo, on the side of road in a little town, there was a sign painted on a ruined building: "Thank God for Bill Clinton and the American people."

I'm convinced that so many people are ambivalent about foreign assistance because-well, because they have never seen a sign like that. They haven't seen the grateful look in a mother's eyes when she knows her child won't get TB or diphtheria-infectious diseases most American parents thankfully no longer worry about.

They don't know what it means to people in remote villages in Hungary to get access to a computer, and the Internet, or the pride and freedom Russians feel, knowing that for the first time in over 70 years, they can vote, own land, and operate their own businesses.

They don't know-but maybe we can tell them.

And when we tell them, maybe they will understand not only why we do what we do, and why it is necessary, and why it is right.

Another thing-we can, all of us, do our work in such a way that people will be struck not only by its efficiency but by its quality.

You know, my mother used to say that if you want to be successful, you have to do your job in a way that puts light in people's faces, so that even when you're out of sight, or gone, people will know which way you went by the lamps left behind.

And that's our goal here: I want USAID's lights to shine in people's faces.

I am delighted to see you all here today discussing issues, suggesting improvements, hopefully solving some problems-but, most important, communicating with one another.

I know we've got a long road before us-the Europe and Eurasia region is just now entering its second decade of freedom and its second phase of transition. We have done a lot and we have learned a lot. But our work is far from done.

In the past few months, I have seen many, many lamps, planted by dedicated people like you. And in the next year, I know I'll see many, many more.

On behalf of the Agency for International Development, let me thank you for your hard work, your dedication, and your cooperation.

We've accomplished some amazing things together in the past ten years. I know the next ten will be just as exciting. I look forward to working with all of you.

Thank you.

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**PLENARY ADDRESS:**

Donald L. Pressley

Assistant Administrator

Bureau for Europe & Eurasia

Let me add my welcome to that of the Administrator. It's nice to be here, and it's nice to see all of you again.

In addition to all the implementing partners that are the very reason for this conference, I would also like to welcome our friends from Capitol Hill, the Department of State, and other USAID bureaus.

You know, I have to tell you that I've been involved with USAID almost 30 years now and every year I am more and more impressed with the caliber of people that I get to work with.

The Administrator is right-from Albania to Uzbekistan to Washington, DC, I think we work with some of the best and the brightest around. And we are so lucky that even in years when the foreign aid budget has been cut, this one fact hasn't changed.

In our region, what with the wars and financial crises and fallen and resurrected governments of the past few years, you have all maintained not only your sense of purpose, but your sense of humor.

There were even times when everything was going exactly right. Give yourselves a pat on the back-we survived those too.

But still, it's hard to believe it's been ten years since the Berlin Wall fell-it seems like just yesterday that America stood spellbound, watching the German people tear down that most famous symbol of communist oppression. But, as the Administrator just observed, dismantling that symbol proved to be far easier than dismantling communism itself.

As most of you know, I've been fortunate enough to be on this journey in Europe and Eurasia ever since President Bush visited Poland and Hungary in 1989.

I first met many of you as Mission Directors to Poland, where I saw first hand how complicated the struggle was going to be. I have watched as Solidarity, the harbinger of democracy in Europe and Eurasia, the party of Lech Walesa, won and lost and won back parliamentary majorities in the Sejm. I have seen Walesa himself idolized and vilified and then idolized again.

Believe me, I know what a roller coaster we ride.

Still, Poland has been lucky: it is today a member of NATO, on track to becoming a member of the EU, and, this year, graduating from USAID assistance.

Unfortunately, most of our region has not enjoyed the tremendous success of Poland, or Hungary, the Czech Republic or any of the other northern European countries. Most of our region is still struggling just to establish the rule of law, to understand this new thing called "the market," and to fight corruption.

And we're all of us here a part of that struggle-fighting, yard by yard, to help the citizens of these countries move in the right direction.

At our last conference, in October 1998, we asked all of you-how can we improve our odds? And you said, well, be sure to include the view from the field when you start your strategic planning. You said: train your CTOs better, so they know and we know exactly what their role is in the whole process.

And you said you needed more flexibility to deal with crises in countries graduating from USAID assistance.

And to all this, we said: great.

So last year, when we thought of developing a new strategic framework, one of the first things we did was contact our field missions, our in-country partners, our colleagues in other parts of the government, and people like you.

And so, after a year of meetings and conference calls and long discussions, I am happy to announce that our new Strategic Framework is finished; if you haven't already, you may pick up a copy at the resource table near the entrance to this room.

You should know, too, that this Bureau and USAID's Management Bureau are currently in the process of training and certifying our CTOs-to help them better monitor the implementation process and to help them do a better job of interfacing with you.

And finally, you had suggested regional mechanisms as a way to better meet the needs of our graduating countries.

Today, we have a number of these in place: from the EcoLinks program, which deals with environmental issues, to the Partnership for Financial Stability, which deals with economic ones, we are developing and implementing activities that take into account the needs of the region as well as those of individual countries.



And now we want to know what else we can do.

As this conference gets under way, a few minutes from now, I'd like to ask you to think about how USAID can help you more: are there ways we can improve communication? Are there ways we can make your jobs easier? I want to know.

But if I may, I also want to ask you to think about some other things:

As we begin the twenty-first century, how can we target our efforts to ensure that the prosperity and peace we take for granted here in America spreads to every last corner of Europe and Eurasia?

How can we nurture and sustain indigenous capacity so that in-country institutions, organizations, and individuals can pick up the ball and carry it themselves? How can we make the countries of E&E partners in the global community of market democracies?

How can we ensure that our impact is felt not just in Moscow or Bucharest or Kiev but also in Samara and Transylvania and Crimea.

How can we ensure that the fruits of freedom and democracy are enjoyed by all citizens-women as well as men, farmers as well as industrialists, the disadvantaged as well as the middle class.

These are the kinds of questions still before us-and the kinds of challenges we will all face over the next ten years.

Now let me take a moment to try to overcome this stuffed shirt image I have, and talk football.

I don't know how many of you watched the Super Bowl this past Sunday, but I have to tell you that the last quarter was about as exciting as football gets. And without telling you who I was rooting for, let me just say that in the last play of the game, when Kevin Dyson was tackled on the one yard line, I just felt awful for him.

I turned to my wife, who was watching the game with me, and said, "That man is going to remember that one-yard for the rest of his life." But then, so will Mike Jones, the guy that tackled him-but in a different way.

Today, as we stand just beyond the threshold of the new millennium, we have a chance to make our own plays, so to speak. And I can't think of anything worse than for us to stand at the end of our assistance programs to the E&E region and say: we missed our chance.

But then, I can't think of anything better than saying-look at what a difference we've made. Now, I know not all the plays over the next few years are going to result in touchdowns, but let's try not to leave anyone hanging on that one yard line, either.

As you go about your work in the next few months and the next few years, don't ever forget how important your work really is-not just to USAID, not just to the United States, but, I think it's no exaggeration to say, to the world.

I know that not all the good we do is readily apparent, and not all of it is grand-but every bit of it still brings us closer to the goal, and, as we saw on Sunday, every last yard counts.

Thank you all again for coming here today. Let me echo the Administrator and say that I look forward to working with all of you

over the coming year.

As we start this new millennium together, I wish for all of you hard work, patience, and a little luck-if the past ten years are any indication, we'll need all three.

Thank you

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## **PLENARY SESSION I: MAJOR ISSUES IN IMPLEMENTING THE NEW E&E STRATEGY**

### Introduction

George Ingram, Deputy Assistant Administrator, **E&E Bureau, USAID**

Mr. Ingram, the plenary moderator, said that USAID can only be as effective as its implementers and that all participants in the conference could learn from each other. The new Strategic Framework, he said, would be the day's focus. The morning Plenary would examine substantive issues and the afternoon Plenary would address procedural issues. Feedback from the day would be used in the senior management training on implementing the Framework to be held in March 2000.

In addition to the four themes to be addressed by the Plenary panelists, Mr. Ingram mentioned others that he asked partners to think about.

- Regional and country differentiation: this has to be translated into programs and implementing mechanisms.
- Outreach: the Bureau's initial work was on macro economic reform. As the country transition process extended, there has been increased turmoil and, in some countries, a disaffection with the process. For humanitarian reasons and to build up support, USAID and the partners must bring home to people the immediate as well as long-term benefits of reform.
- Local focus: to implement successful reforms, the process must be brought to the local level.
- Gender: the groups left behind and ignored by transition assistance programs must be identified. While the gender focus is part of the Strategic Framework and of other country strategies written in 1999, and a gender expert has been on the Bureau staff for a year, additional partner input in this regard is very important.

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### Corruption: Its Influence and Steps Being Taken to Mitigate it

Bert Spector, Senior Associate, Management Sciences International

Mr. Spector said that the impact of corruption on society is extremely costly. Corruption impedes growth by sapping funds and discouraging investors. It reduces the ability to govern effectively. It demoralizes the public, who then lose confidence in their government. And it diverts technical assist funds.

USAID's focus is corruption in the public sector: bribery, extortion, nepotism, favoritism, and influence peddling. Mr. Spector said that there are forms of corruption specific to the public sector that are now becoming evident in the private sector and that it is a trend that USAID and other donors should address. Mr. Spector said that the World Bank is actively researching private corruption and its findings suggest a number of problems and courses of action:

- Corruption is high in societies where civil liberty is not respected and no free press exists. More training of law enforcement personnel is called for in order for citizens to believe that they will be treated with justice.
- Corruption is high in societies where the civil service is under-valued as a profession. This can be mitigated by creating programs to build pride in being a civil servant, paying decent wages, rewarding good work, and setting standards.
- Corruption is high where over-regulation of society by the government is the norm. It is desirable to deregulate and streamline administrative procedures.

Mr. Spector acknowledged that there is probably no way to eradicate corruption totally but that some countries have successfully reduced it. These have been countries that have developed a strong respect for the rule of law; that have developed government institutions with checks and balances, and clear, well understood, predictable laws and processes; and that have made citizens aware of the cost to society of corruption and that the short term gains of getting things done are outweighed by the long-term damage.

Mr. Spector then gave examples, drawn primarily from the Ukraine, of successful anti-corruption initiatives.

- A U.S.-British joint venture invested over

\$ 65 million (U.S.) in a business in the Ukraine, creating 600 new jobs. Government officials were told that one reason for the choice of province in which to locate the plant was that there was much evidence of anti-corruption activity by the local government and civil society working hand in hand.

- A citizens' advocacy office was established under the leadership of a public-private partnership for integrity. It offers legal support to 365 people in all walks of life who have grievances against public officials. The advocacy office has channeled complaints to agencies or gone to court for resolution.
- In a citizens' rights public awareness campaign, brochures were distributed to educate workers on their rights. Workers who went to court to sue for back pay reported that the brochures were the driving force.
- One of two partnerships that MSI helped to develop, carried out an assessment to measure the effectiveness of government and anti-corruption hotlines and to make recommendations for improvement.
- Regulatory reforms were enacted to reduce the opportunity for bribe taking, abuse, and harassment.

Mr. Spector characterized these as small steps but said that they contribute to a larger effect. Government, civil society, and business leaders are beginning to see that it is worthwhile to work together. There are also some changes evident in the natural skepticism of the peoples of the region.

There are challenges for USAID and other donors in sponsoring anti-corruption programs. The first step is to become facilitators, not just to impose programs because they have been successful elsewhere. Programs must be homegrown to get the buy-in of local stakeholders. In many countries it has been shown that sustainable programs of public education and prevention measures must be combined with law enforcement. It is essential to reduce public tolerance of corruption and to show the developing small and medium enterprises and the middle class that corruption hurts them financially. Another dimension is the strengthening of the political will in all sectors of society to fight corruption. This is best done with facilitating

models, tools, and mechanisms<sup>3/4</sup> not by imposing them but by showing examples of how they were used successfully in other countries and how they can be adapted. Another challenge, said Mr. Spector, is to foster non-confrontational coalitions against corruption. Confrontation has been shown not to work. An adversarial relationship between civil society, business, and government is counter-productive. What works is to show the common interests. And finally, one must be patient, build realistic expectations, and find good measures. Corruption is a problem of long duration, which will not be eradicated quickly.

Finally, there is a strategic challenge for USAID and other donors in organizing programs. Traditionally programs have centered on anti-corruption, but it is a cross-cutting issue and anti-corruption themes must be embedded in programs across the board.

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### Conflict Resolution: Its Significance in the Region

John Marks, President, Search for Common Ground

Mr. Marks said that his thesis is that under communism, basic conflict resolution could best be characterized as Stalinism—in other words, conflicts were resolved by force, coercion, and state intervention. Fortunately, that system no longer exists. What is unfortunate, however, is that no one now is making conflict resolution decisions. Little replaces the old system. These societies lack a collaborative, democratic way to solve problems.

Mr. Marks defined conflict resolution as a way of solving problems that is collaborative, consensus building, and a win-win. It should be something that informs everything else, not a separate discipline. "It is a matter of understanding the differences and acting on the commonalities," Mr. Marks said. He presented a number of suggestions for changing the way in which people deal with conflict.

- Use the media to help create a culture that accepts problem solving. This is especially important in societies where people have a tradition of using force and it works best with young people.
- Act preventatively in crisis situations. Preventative action has worked in Macedonia, thanks to a coalition of governments, international organizations, and NGOs.
- Acculturate. What works in one country doesn't necessarily work in another. In most cultures there is or was a traditional system of conflict resolution, though communism may have destroyed it. Western conflict resolution ideas must be combined with local systems.
- Build local capacity and minimize "parachuting" (for example, sending in a Washington expert to conduct a one-week seminar). It is important to have people on the ground because without ongoing follow-up, training has a short half-life. In the Ukraine, Search for Common Ground worked with local organizations to set up eight mediation centers.
- Be patient. Conflict resolution is a long-term project. Evaluation is a particular challenge for USAID because it is extremely difficult to measure changes in the way people think.

Efforts must be multi-pronged. In Macedonia, success has come from the combination of various approaches. A children's television series was created in partnership with the creators of Sesame Street. The central message was of tolerance and conflict resolution. Focus group studies show that it is changing the attitudes of the children and many of the adults who watch. In addition, print media efforts resulted in 60 article placements in four years, often the same article in both Macedonian and Albanian publications. Cooperative activities include a project that organized children into patrols to clean up the environment in a cross-ethnic way, so that they cleaned other's historic monuments and religious shrines. In the area of education, peer

mediation has been taught with the cooperation of the school systems. With Swiss government support, Search for Common Ground runs three cross-ethnic kindergartens with cross-ethnic teachers.

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### Mitigating the Social Impacts of Transition

Pamela Baldwin, Director, E&E Office of Environment, Energy and Social Transition

Ms. Baldwin presented information based on the results of a working group that she had led on social transition strategy for USAID. First addressing the need for a social transition strategy, Ms. Baldwin explained that building an enabling environment for strong economic growth is the key to long-term prosperity and improved quality of life. However, in many countries, the transition to market and democratic systems is taking longer than expected, resulting in social impacts that are broader and deeper than anticipated. There are many reform challenges (privatization and restructuring of large strategic sectors, for example) with potentially significant labor downsizing and other anticipated impacts. Political support for reform is undermined in some countries by a backlash from those most directly affected by unemployment, wage and pension arrears, poverty, and the deterioration of social services and infrastructure. And even in the more economically successful transition countries, reform of the social sectors is emerging as a political lightning rod.

"What are the benefits of a strategic approach?" asked Ms. Baldwin. She said that with limited resources, U.S. assistance must be focused on areas where there is both critical need and the potential for U.S. comparative advantage. Opportunities exist to incorporate social impact mitigation components into existing economic reform and democracy building activities. USAID-funded Technical Assistance will achieve best results when it leverages other resources (including lending by International Financial Institutions) in a well coordinated multi-donor effort. USAID/E&E can build effectively on diverse field activities by sharing lessons and experiences across borders.

USAID's financial contributions to social transition exclusive of humanitarian assistance accounted for only 7% of the total budget in eastern Europe between 1990 and 1999, and 8% in Eurasia between 1995 and 1999. The budget request for FY2000, allocates 11% to social reform in the region.

Successful restructuring of social programs and services entails a number of things:

- Public expression of the broad goals, functions, and responsibilities of key players in health, education, and welfare;
- New or restructured legal authorities and policy frameworks to realize the national goals;
- The financial means to manage and sustain sound social programs;
- New paradigms for social program administration and public/private burden-sharing;
- Strengthened public and private institutions and human capacity in relevant fields.

Ms. Baldwin outlined the critical social issues for E&E in the 1990s and beyond, illustrating her comments with statistics. The major concerns are humanitarian crises; deteriorating health and health delivery systems; increased poverty and income inequality; inadequate and unsustainable social insurance systems; unemployment and labor market rigidities; the needs of especially vulnerable groups (such as institutionalized children, elderly, youth, some groups of women); the need for educational reform; and the decline in expenditure across all social programs

**"...In many countries, the transition to market and democratic systems is taking longer than expected, resulting in social impacts that are broader and deeper than anticipated."**

Turning to what is new in the strategic framework, Ms. Baldwin first stated the goal, which is to "enhance the ability of all persons to enjoy a better quality of life within market economies and democratic societies." Under the umbrella goal are three strategic objectives. The first is to strengthen humanitarian response to crises by meeting urgent humanitarian needs; better managing donations from non-USAID sources; initiating post disaster transition programs; and strengthening local capacity. The second is to promote good health and access to quality health care by focusing on community-based primary healthcare; promoting legislative and policy reforms; improving the quality of healthcare; better informing the citizenry; and reducing environmental and occupational risks. The third is to mitigate the adverse impacts of the transition to market-based democracies by developing, financing, and administering poverty reduction initiatives; making available adequately funded social insurance programs; facilitating the transition to market-appropriate employment; protecting vulnerable groups; and providing targeted education programs.

Cross-cutting approaches will be developed, said Ms. Baldwin. These are to:

- Provide assistance with preparation and implementation of laws, regulations, and policies;
- Provide assistance to improve information systems and statistics;
- Develop public awareness and education programs;
- Develop and strengthen social service NGOs;
- Build institutional capacity for government agencies responsible for social programs;
- Create public participation mechanisms;
- Develop measures to strengthen the local capacity to carry out policy analysis and social research;
- Foster partnerships involving government, NGOs, private sector, utilities, and educational institutions.

All this will entail ongoing dialogue with partners, other donors, field missions, and regional counterparts in order to organize and staff E&E Bureau's approach to regional activities and to provide support to missions on bilateral program development. In practical terms, that means that there must be agreement on targets, indicators, and graduation criteria for the three strategic objectives; initial assessments of country conditions and progress; identification and creation of appropriate assistance mechanisms; development of donor coordination mechanisms; sharing of experiences and best practices; and the creation of partnerships and networks.

Ms. Baldwin closed by saying that the challenge for USAID and the implementing partners could best be expressed in words from the **United Nations Human Development Report** of 1999:

**"The real wealth of a nation is its people. And the purpose of development is to create an enabling environment for people to enjoy long, healthy and creative lives. This simple but powerful truth is too often forgotten in the pursuit of material and financial wealth."**

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The Role of Sustainable Partnerships in Transition and Development

Lester Salamon, Director, Center for Civil Society Studies, Johns Hopkins University

Dr. Salamon said that the E&E region has the potential to redefine USAID as a facilitator, an enabler in building sustainable capacity. This, he said, would extend USAID's reach and multiply its impact. His four central themes, he said, were: (1) defining the opportunity, especially with civil society;

(2) examining what is necessary in order to seize the opportunity; (3) identifying the extent to which USAID has already responded; and (4) looking at what still can be done by USAID and its partners.

Few developments showed more promise than the rise of civil society organizations in Eastern Europe in the 1980s and the social currents that made old regimes crumble from within. The immediate post-communist period was very exciting with a surge of civil society organizations forming as part of a broader development throughout the world. The volunteer private sector became a major economic force and employer (for example, 8% of the work force in the Netherlands is employed in nonprofit organizations). This is the product of a number of things: changing beliefs about the role of the state; the frustration of the emerging middle classes over political and economic opportunities; the telecommunications revolution; and external encouragement from private organizations, the Catholic Church, USAID, the World Bank, and others.

On the less positive side is the fragility of the sector especially in central and western Europe in the early and mid 1990s. Little information was available and the concept of a civil society sector was absent. There was wariness and suspicion about philanthropy<sup>3/4</sup> a legacy of broken communist promises. Basic management skills were in short supply, the infrastructure was undeveloped, and the fiscal base was insecure.

**"Few developments showed more promise than the rise of civil society organizations in Eastern Europe in the 1980s and the social currents that made old regimes crumble from within"**

Dr. Salamon enumerated the challenges faced by the sector as the need to establish legitimacy, prove effectiveness, develop financial and human sustainability, and collaborate with other sectors. Five years after the fall of communism, the sector was still struggling. When USAID entered the picture the need for a sustainability strategy was urgent.

The principles vital to building sustainability are: to understand the history of in-country civil society before communism, how the communist era transformed civil society organizations, and how they again changed and new ones grew up after the fall of communism; to build on strengths, on the institutional capital in existence; to let the local scene lead and not impose ideas from outside; and to institutionalize accomplishments by building structures and social capital that stays after projects are completed.

Dr. Salamon summarized the series of concrete steps described in the Pamphlet, Challenge of Permanence:

- Improve public awareness and support;
- Allow the sector to prove its practical value;
- Create a stable flow of financial resources;
- Improve the relationship between civil society and the state so that the state becomes an active supporter, as in the western European model;
- Invest in human capital training and development and build indigenous capacity to do this;
- Build infrastructure organizations;

- Create a knowledge base so that better information is available about the sector.

Turning to USAID's response to the opportunity, Dr. Salamon said that information to make a true assessment is inadequate. USAID never really developed a sustainability strategy for the civil society sector in central Europe. He pointed out that the constraints were severe in terms of what Congress was willing to sanction and the timeframe. USAID narrowed its focus to a subset of organizations and downplayed the functions of the sector with respect to service delivery. The Agency placed the heaviest emphasis on advocacy, and useful work was indeed done on the legal environment. It is not clear, however, that much constructive work was done on building service partnerships, nor was there much support for basic infrastructure.

Dr. Salamon posed the question: what should USAID do now? His answer was that as a first and important step, the Agency should build sustainable partnerships along existing channels. It should provide more fundamental response to the dramatic rise of civil society organizations by redefining its role. This is a historic opportunity for USAID, he said, to go from a doer to an enabler of the indigenous civil society sector.

In practice, said Dr. Salamon, this calls for several things, most notably results measures. There are also substantive needs to do with programs. USAID must involve indigenous organizations in programs but also invest in the infrastructure of the sector. It must improve public attitudes, encourage the development of an enabling legal environment, create indigenous capacity to provide training, and encourage partnerships between government and business. On the procedural side, USAID must place more reliance on cooperative agreements rather than contracts and make more use of intermediary organizations. And finally there must be a change in USAID's relationship with northern PVOs. The role of PVOs must be broadened to allow them to implement strategies with their partners on the ground and to become enablers themselves.

Dr. Salamon closed by emphasizing that USAID was presented with an enormous opportunity, a great potential for tapping new energies. "USAID should vigorously seize this opportunity to reinvent itself as an enablement agency, to strengthen the capacity of local organizations, and to collaborate with other partners," he said.

**"USAID must place more reliance on cooperative agreements rather than contracts and make more use of intermediary organizations."**

## DISCUSSION

Mr. Ingram commented that the morning's presentations had far exceeded his expectations and he thanked the presenters for setting an example for the afternoon break-out sessions.

Question. A partner congratulated USAID on developing plans and facing the issue of integrating social impact with development strategies, its willingness to change, and on the pursuit of a more integrated approach. The partner asked Ms. Baldwin how much buy-in she felt there was at the State Department for the new strategy especially regarding budget.

Response. Ms. Baldwin said that in conversations with her colleagues at the State Department, the focus had been on USAID's need to be very strategic and selective in interventions so as to maximize leverage of those with real resources. She stressed that USAID planned to build networks and work closely with its partners to maximize the synergy.

Mr. Larry Napper, the State Department's Coordinator for Europe and Eurasia, agreed that interventions must be targeted and focused. Foreign assistance is not a popular issue on the Hill. Without vigilance, the hot issues of the day (such as peace efforts in Bosnia and Croatia) tend to push other issues aside. He said that an important collaborative initiative with USAID is the



evolution of the Polish-American Fund into the Polish Freedom Foundation, which will continue to work on the ground and will export the results of the program. "USAID deserves a lot of credit," he said.

Question. A partner asked Dr. Salamon whether the western model of nonprofit support for civil society NGOs is also true in the former Soviet Union?

Response. Dr. Salamon said that he was aware of some non-profit organizations introducing the idea of service contracting; but that was not a quick process. Dr. Salamon said that the western European models of nonprofits are very powerful. However, the message is being received that running services, using Western models, is advantageous to the governments of the Eurasia region in providing better quality and more flexible delivery.

Mr. Spector and Mr. Marks offered closing thoughts. Mr. Spector said that sustainability of support as well as of programs is important; that "parachuting" should be avoided; and that anti-corruption activities are not a short-term initiative. Mr. Marks added that it is important to avoid being distracted from the main purpose by the crises of the moment, however valid.

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Presenter: Anne Quinlan, **USAID Office of Procurement**

Discussant: Joel Levin, Counterpart International

## **PLENARY SESSION II: STRENGTHENING USAID-IMPLEMENTING PARTNER RELATIONSHIP**

### **Selection of Implementing Mechanisms**

Ms. Quinlan described the legislation that determines whether a contract, a grant, or a cooperative agreement should be used. Addressing the issue of "substantial involvement," which is an indication for using a cooperative agreement, Ms. Quinlan said that in 1998, NGOs expressed the feeling that USAID tends to micromanage assistance instruments. As a result, current cooperative agreements and grants are being reviewed closely to ensure the appropriate use of substantial involvement.

Ms. Quinlan stressed that USAID has no preference for contracts over assistance instruments or vice versa. Both can be structured as results-oriented. There is no exact science governing the choice between grants, cooperative agreements, or contracts, she said. The strategic objective teams look at all issues related to a particular request and consider a minimum of six factors:

1. The nature of the activity (is there a politically sensitive situation that requires more USAID control from day to day?);
2. The type of implementing organization and the balance or preponderance of expertise;
3. The required results;
4. Any sector and stakeholder considerations that might support the use of one instrument over the another;
5. Lessons learned on the effectiveness of the various instruments in similar situations;

6. The USAID resources required: where there are limited personnel, assistance instruments are less time-intensive to monitor.

Mr. Levin said that his organization had worked mostly with cooperative agreements during its 25-year history with USAID. Cooperative agreements are the optimal instrument for promoting partnership, he said, enabling a partner to be most effective. Contracts imply a quite different relationship. However, cooperative agreements are not appropriate in all situations. When there is a clear idea of what is wanted and a mission is not looking for creativity, use of a contract is more appropriate. But, said Mr. Levin, USAID must understand that they will not get creativity if the implementer does not have some control. When the project involves NGO and civil society support, the instrument should always be a cooperative agreement. The situation on the ground is almost always more complex than was envisioned when the RFA was written and in those cases a high level of creativity will be required.

Cooperative agreements cannot be managed as if they are contracts, warned Mr. Levin. The inherent problem is that missions are under pressure to produce results and this can lead to micromanagement. The solution is to write the RFA so as to allow maximum creativity and flexibility, while still ensuring that USAID achieves the desired results.

Mr. Levin pointed out that it is labor- intensive and costly to respond to RFAs. Smaller organizations cannot afford to bid. He recommended that USAID begin the process by soliciting concept papers, which are less expensive to prepare, and ask for full proposals only from those respondents the Agency deems qualified.

#### Panel Discussion 1

Panelists: Anne Quinlan, E&E Division Chief, USAID Office of Procurement

Joel Levin, Director, NGO Support Programs, Counterpart International

Facilitator: Barry MacDonald, Deputy Director, Office of Operations & Management

Rapporteur: Nicholas Studzinski, Officer in Charge, Office of European Countries Affairs/Southern Tier

Summary: The panel clarified and discussed the implications of contracting and grants assistance mechanisms on implementing partner organizations and proposed recommendations for ameliorating some of the perceived problems constraining USAID's relationship with its implementing partners. Discussion in the first part of the breakout session focused on the comparative implications of each procurement instrument on the implementers' creativity and commitment and on the perceived negative effects of USAID's micro-management of grants. The second half of the session dealt with concerns voiced by small non-profit organizations in coping with the effects of USAID's growing insistence on competitive procurement, i.e., more RFAs and less funding for unsolicited proposals.

Discussion: Does the contracting instrument inherently discourage creativity? After some general discussion, USAID representatives voiced the conviction that there is no basis for questioning the development-commitment of partners engaged through either grants or contracts and that opportunities for creative implementation are within the manageable domain of both instruments. In fact, USAID's more frequent use of performance-based contracting provides ample opportunities for creativity.

**"...Contracting officers vary widely in application of evaluation criteria and scoring, during the grantee selection process."**

There was considerable discussion concerning the perceived micro-management of grantees by USAID. According to one representative of a small non-profit organization, USAID contracting officers and CTOs vary widely in level of experience and degree of intrusive micromanagement. This puts small organizations under considerable stress in dealing with what often appears as capricious and idiosyncratic management styles. FSNs tend to be more inclined to micro-management than U.S. direct hire staff. Relatively junior U.S. direct hire staff tend to micromanage more than senior, experienced staff. It was also noted that contracting officers vary widely in the application of evaluation criteria and scoring during the selection process. Training for USAID staff, at all levels, was suggested as a means of eliminating the inappropriate micromanagement of grantees.

A representative of USAID's Office of Procurement pointed out that current agency policy encourages more competitive procurement. This caused a lively response and a number of implementing partner organization representatives commented on recent trends: issuance of more RFAs; less receptivity to unsolicited proposals; and more insistent requests for greater detail on cost proposals. One commentator suggested that USAID policy in this vein puts the small non-profit organizations at great disadvantage. Another partner said, "If the agency keeps up this policy, the non-profit sector will be unable to stay in business with USAID." USAID discussants acknowledged that this is an area requiring additional consideration to minimize adverse affects on smaller firms.

Several implementing partner representatives suggested that USAID provided too little feedback to firms that do not succeed in award competitions.

#### Recommendations:

- Small partners noted that there should be a reduced number of larger grants and contracts, and more opportunities for unsolicited proposals and small RFAs. These partners noted that in recent years, due to staffing constraints, the Agency has been "bundling" acquisition and assistance actions, making them very large. Smaller grantee organizations, as well as some small contractors, feel that they have neither the programmatic or administrative capacity to be fully competitive in obtaining the larger awards.
- E&E should "incentivize" contractors to use small, disadvantage businesses, as well as not-for profit organizations, through the use of such instruments as award-fee and incentive-fee contracts, both of which complement results-based programming.
- Additional procurement-related training is needed for the staff of both E&E and its partners, particularly as regards the degree of E&E oversight associated with the management of assistance instruments.
- E&E/OP should provide unsuccessful bidders more detailed feedback for reasons associated with their non-selection.
- E&E/OP should issue RFAs in a two-step process: first, requesting a brief concept paper; and second, after selection of viable concepts, proceeding with a request for a full application. This will reduce both, preparation time and associated costs for applicants.

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#### Managing for Results

Presenter: Barbara Bocker, USAID Office of Procurement

Discussants: Mary Reynolds, USAID Office of Procurement, and Michael Morfit, Development Alternatives, Inc.

Ms. Brocker acknowledged that micromanagement was an issue for USAID and that initiatives were ongoing to reduce it. She said that there are a number of causes of micromanagement. Contract administrators often feel the need for control. Projects are sometimes an evolving process. Since all contingencies cannot always be addressed in the Statements of Work (SOWs), amendments are made later. And finally, there are instances where regulations are not well enough understood.

The remedies, Ms. Brocker said, are to carry out careful strategy planning and acquisition planning and to ensure that adequate time is put into document preparation so that the maximum information is given up front. It is important to ensure that staff have the skills and knowledge to carry out their functions. USAID is increasing training within the Agency to give staff the tools to deal within the federal procurement environment. There are plans for this training to be made available to partners.

Ms. Reynolds said that she was working with a group from the Bureau for Policy and Program Coordination (PPC) to develop computer-based training (CBT) for managing for results. One of the issues for USAID, she said, is that the Agency is process-oriented not results-oriented. A needed change is to revisit the results framework during activity planning so that there is a continuum of activity.

The need for data pushes staff toward micromanagement. Definitional changes in Automated Directive System (ADS) will help with clarification and enable SOWs to be framed so that everyone involved takes possession and USAID monitors progress rather than controls it. Ms. Reynolds said that a draft of the CBT curricula is available on the USAID website.

Mr. Morfit expressed the view that much progress has been made over the past ten years with regard to managing for results. However, there are still basic problems. USAID has not been clear on what is meant by "results." There are inconsistencies and different interpretations across bureaus and missions. He applauds the moves described by Ms. Reynolds to introduce greater clarity.

There is also a large gap between theory and practice and Mr. Morfit said that the problem is bigger than lack of training. There are basic management issues at USAID. For example, there appears to be no chain of command or accountability in contract administration. This is exacerbated by too broad a use of the term "partnership," which, he said, seems to include everyone and every relationship. He observed that partnerships tend to dilute accountability because partners share responsibility.

He offered three pieces of advice for USAID: be clear with what is meant by results; tackle internal management problems; be clear and specific on what relationship(s) are defined by the term "partnership."

## Panel Discussion 2

Panelists: Barbara Brocker, A&A Ombudsman, Office of Procurement

Michael Morfit, Vice President of Governance and Public Sector Management, Development Alternatives,

Facilitator: Gloria Steele, Director, Office of Operations & Management

Rapporteur: Sherry Grossman, Program Officer, Office of Eurasian Country Affairs

Summary: The panel invited representatives of USAID and several implementing partner representatives to communicate their ideas on how to better understand managing for results. USAID representatives noted that managing for results is greatly impeded by micromanagement, and training is being developed to ensure that both USAID and partners have the skills and

knowledge to implement projects successfully. Managing for results was defined by a USAID representative as managing outputs rather than inputs; i.e, managing the process of achieving results. A number of implementing partner representatives commented that USAID contract officers' wide latitude in interpreting some regulations leaves implementers confused about what USAID expects in any given instance, and that some consistency in interpretation is needed.

Discussion: Participants' comments about confusion with what USAID expects in any given instance were followed by various examples of problems contractors face and recommendations for solutions. One partner said that training alone would not correct the problems. There is also confusion about what is meant by the terms "results" and "partnership." There is a need to reach an agreement on what constitutes a meaningful result at the activity level and how to know when one is achieved. This can only be done by USAID and implementing partners together, by identifying a contractual mechanism that is flexible, and gearing incentives toward achieving by results, perhaps returning to greater use of level of effort contracts. Another interlocutor said that contractors are still at the mercy of a management system that gives implementers very little control. The term "partnership" muddles the meaning of the relationship between USAID and implementers and dilutes responsibility by holding that all partners are jointly responsible for results.

Short project time-frames was another problem one participant addressed. They impede capacity building and disrupt continuity that promotes host country sustainability. Multi-year funding would enable better planning and give implementers the time that is required for results to be achieved. It was noted that the difficulty of attributing results complicates reporting results. Accountability for results is not the same as managing for results. The commentator continued to report that managing for results can be compromised by external pressures and political realities that may be unrelated to the activities, such as Congressional directives and holds both can skew project focus and delay implementation. Representatives of USAID's Office of Procurement noted that micromanagement is a big impediment to managing for results, and that USAID is trying to reduce it. Among other things, it is caused by the need for control, which requires getting more information than submitted in reports; scopes of work that are not adequately detailed and thus more subject to interpretation; and a misunderstanding of what the regulations permit. To reduce micromanagement, more time should be spent in advance of the award on strategic, activity, and acquisition planning. Once the award is made, all parties should make themselves familiar with its requirements, and training should be made available to ensure that all parties have the skills and knowledge to implement the activity successfully.

A few partners suggested establishing links between results and how to achieve them and identifying reasonable indicators of success. Problems occur when the contracting mechanism does not allow for flexibility to deal with the unknown. Ideally, missions would build into contracts the elements that will achieve results.

#### Recommendations:

- E&E should focus on the training of CTOs to reduce micromanagement of assistance instruments.
- The terms "results" and "partners" should be clarified.
- Procurement officers should strive for consistency in the interpretation of regulations.
- E&E should consult with and involve its partners in the development of the Missions' Country Strategic Plans and in setting the direction of specific Strategic Objectives while not involving the partners in the specifics of activity design.
- On the other hand, some partners felt that E&E should encourage the use of performance-based contracting to allow implementers to design activities that achieve a given set of results.
- E&E should encourage the use of procurement instruments that gear incentives toward the achievement of results rather than simple level-of-effort contracts.

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## Developing Productive Partnerships

Presenters: Elise Storck, USAID Bureau of Legislative and Public Affairs, and Robert Chase, World Learning

Ms. Storck agreed that partnership is a much overused term, but added that it is one that has great significance to USAID. She recommended changing the term to "strategic partnership" and recognizing exactly what partnership is. She said she disagreed with accusations that USAID is too divergent in scale. "I'm looking for equity versus equality," she said. "The best partnerships are often a combination of strategic differences." The key is to focus on the comparative advantages and value-added each brings to the relationship, to identify strengths and maximize resources.

Ms. Storck defined the components of a good partner relationship and how USAID and its partners could strengthen these components:

- Communication-attend each other's meetings;
- Basic standards-foster honesty and consistency;
- Attitude3/4 translate rhetoric into implementation;
- Systems 3/4 partners should ask to provide USAID bureaus with 360 degree input on them (a new mechanism in the Agency);
- Training3/4 improve each other's training efforts by contributing expertise. Ms. Storck said that partners will be invited to contribute to the Contracting Officer Conference in March 2000.

Mr. Chase reiterated that partnership is a "muddy and abused" term. He said that within the USAID partner community, there is a perception that the partnership concept has deteriorated, though the E&E Bureau does a better job than most other bureaus within USAID in maintaining a focus on partnership efforts. Mr. Chase said that he would address two themes by (1) suggesting types of partnership and (2) indicating the characteristics indicative of successful partnerships.

Mr. Chase enumerated the types of partnerships as those between:

- USAID and the contractor/assistance community;
- Partners in the north and, as a subset within the NGO community, between NGOs and multinational corporations;
- Partners funded by USAID where, through contract provisions, USAID mandates the kind of partnership3/4 the underlying reasons for the configurations are not always clear to those involved;
- North and south3/4 USAID is interested in enhancing these to promote sustainability.

The indices of success, Mr. Chase said, are:

- Clarity of objectives;
- Understanding of the value-added of each partner;
- Acceptance of power differences;
- Appreciation of each other's organization, culture, use of language, etc.;
- Understanding of the decision-making structure;

- Acceptance that differences in style and culture can be an advantage;
- Candor and truthfulness so that there is transparency in the relationship;
- Patience3/4 good partnerships take time and effort.

### Panel Discussion 3

Panelists: · Elise Storck, Senior Public Liaison Officer, Bureau of Legislative and Public Affairs

· Robert Chase, Vice President, World Learning

Facilitator: · Viviann Gary, Director, Office of Democracy and Governance

Rapporteur: · Stephen Haykin, Division Chief, Office of Program Coordination & Strategy

Summary: The panel expressed a number of concerns regarding the administration of cooperative agreements and grants, and made suggestions on how to improve this critical relationship. Participants identified several different types of partnerships and stressed the importance of trust, dialogue, and building on each other's strengths in partnership arrangements. A number of successful partnerships were identified. In each case, viable organizations developed with support from a U.S. counterpart, and earnings or other sources of non-USAID funding were identified. A number of suggestions were made on how to help strengthen partner organizations in Europe and Eurasia.

Discussion: USAID's implementing partners identified a number of factors that constrain their abilities to implement their grants, cooperative agreements, and contracts as planned. It was stated that relationships between the implementers and USAID in Washington are often very good, but many in the field "are not getting it." Often the agreements or contracts with USAID are, in and of themselves, overly restrictive in specifying activities and relationships with host country counterparts. In other cases, the Cognizant Technical Officer may be overly directive. Some CTOs, not well versed in grant or contract management, may tend to overcompensate for lack of technical training related to the assistance being provided. Also, the turnover of CTOs is taxing with respect to developing and maintaining sound implementing partnerships with USAID. The relationship between implementers and the USAID mission may be particularly strained when activities are centrally funded and not initiated by the resident USAID mission. It was also acknowledged that relationships with host country governments and counterparts might be at the root of unanticipated changes in implementers' activities.

There was general acceptance of the fact that the concept "partnerships" means different things to different people and different things in different contexts. Partnership may refer to the relationship between USAID and contractors and grantees; among governments and institutions in donor countries; between institutions in Western countries and those in Europe and Eurasia; among institutions within countries in the region; among countries and among peoples. One participant noted that many PVOs have an active membership within the U.S. Equality among parties is not essential for partnerships. However, in the extreme, a partnership may become non-productive if one party wields too much control over the other. Mutual trust is essential and dialogue is critical to developing and maintaining trust. Partnerships work well when they build upon each party's comparative advantages.

A lively discussion evoked examples of partnerships that have become sustainable:

1. A Citizens Network for Foreign Affairs program in Zimbabwe supplied resources and training to develop agricultural inputs markets in rural areas. It has succeeded in spinning off viable, private-sector, village-level, input suppliers

serving small farmers.

2. The National Telephone Cooperative Association's activities have succeeded in mobilizing local investments in telecommunications and in establishing functioning rural, community-owned telecommunications cooperatives.
3. World Learning operates an umbrella grant program in the E&E region. It has succeeded in helping its local staff to establish an independent NGO support institution.
4. The Center for Citizens' Initiatives (CCI) operates business-training facilities. It began to spin off business centers in 1993. Since 1997 six of these centers have implemented training programs under contracts with CCI.
5. Public sector twinning relationships, such as the Environmental Protection Agency's partnerships with Lithuania, create enduring relationships wherein expert advice can be exchanged by telephone or E-mail.

These successes grew out of assistance programs. In each case, the issue of funding has been addressed through developing commercial activities, cost-recovery through fees, or finding a non-USAID benefactor.

#### Recommendations:

- Contracting officers need to be more consistent in terms of the language they use to define contractor and grantee responsibilities in assistance and acquisition instruments.
- E&E should insure that activity managers and/or those designated as CTOs fully understand their role and how to carry it out. Contract and grant management should be consistent over time and not change simply as a result of personnel changes.
- USAID's partnership and institutional capacity building activities should address sustainability issues from the very start.
- E&E should continue to support experimentation with models for partnerships.
- E&E should recognize the interest and participation on the part of the American public and seize opportunities for collaboration.
- E&E should further encourage the development of partnerships not only in the private and non-governmental sectors but within the government sector as well.
- E&E should encourage partnerships among European/Eurasian institutions as well as partnerships within U.S. organizations.
- E&E should allow for adequate time for pilot activities to demonstrate reasonably their appropriateness in the development setting, i.e., don't cut projects off too soon.
- E&E should provide greater support for the development of NGOs as service providers, where appropriate, as opposed to a heavy concentration on advocacy.

E&E should establish or identify an existing forum for sharing information on successful partnership experience.

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#### **Closing Remarks**

Donald Pressley, E&E Assistant Administrator



Mr. Pressley said he appreciated the time and effort that all participants had devoted to the Conference. He noted that the best course would be to have a common understanding and a consistent approach to implementation; yet, USAID is a very decentralized agency. The morning's discussion, Mr. Pressley said, was stimulating and the panelists' recommendations were on target. Mr. Pressley highlighted the comments by Dr. Salamon regarding the partnership approach. He agreed that the early approaches were limited and constrained. A strategy of longer term relationships is necessary for true partnerships to become a reality. The buy-in of Congress is essential. "We now have data and experience to justify this approach and the success stories to show that the taxpayers' money has been well used," he said. "With your help we're on the right track."

Mr. Pressley commented that the reports from the breakout sessions had provided much food for thought. It is important to institutionalize the way USAID and the implementing partners do business. The current process is tied up in ways that make it seem far from partnership and this is frustrating to all the players. "Give this some thought," Mr. Pressley invited the partners. "Challenge us. Give us proposals." He observed that the idea of facilitating partnerships on multiple levels will cause the Agency to move in a new direction. Creating sustainable capacity in the E&E region is an exciting idea that USAID ought to pursue vigorously. This will entail narrowing and focusing, but it will be worthwhile. "I pledge that we will use this input and give you feedback on your suggestions," said Mr. Pressley. "I hope you will be our partners in the process."

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## IMPLEMENTING PARTNERS CONFERENCE

THURSDAY, FEBRUARY 3, 2000

8:15 AM - 5:00 PM

J.W. MARRIOTT HOTEL

### **AGENDA**

8:15 - 8:45 AM Check-In; Pre-Conference Gathering

8:45 - 8:55 AM Introduction of Keynote Speaker  
by Assistant Administrator, Donald L. Pressley

8:55 - 9:10 AM Keynote Address by USAID Administrator

J. Brady Anderson

9:10 - 9:30 AM Opening Remarks by Donald L. Pressley

9:30 - 11:00 AM Plenary Session: Major Issues in Implementing the New E&E Strategy (Salon I)

Introduction by DAA/E&E, George Ingram - moderator

- Corruption: its influence and steps being taken

to mitigate it. Presented by Bert Spector, Senior

Associate, Management Systems International

- Conflict resolution: its significance in the region.

Presented by John Marks, President, Search for

Common Ground

- Mitigating the social impacts of transition. Presented by Pamela Baldwin, Director, Office of Environment, Energy and Social Transition, E&E Bureau
- The role of sustainable partnerships in transition and development. Presented by Dr. Lester Salamon, Director, Center for Civil Society Studies, Institute for Policy Studies, Johns Hopkins University

11:00 - 11:15 AM Break

11:15 - 12:00 PM Continuation of plenary: questions and discussion from the floor on the morning's topics (Salon I)

12:00 - 1:15 PM Lunch (by individual arrangement)

1:15 - 2:30 PM Plenary session: Strengthening USAID-  
Implementing Partner Relationships (Salon I)

Introduction by DAA/E&E, George Ingram - moderator

- Managing for results: how do we undertake this process in a partnership mode? Presenter: Barbara Brocker, Ombudsman, Office of Procurement, USAID. Discussant: Michael Morfit, Vice President, Development Alternatives Inc.
- Selection of implementing mechanisms. Presenter:

Anne Quinlan, Chief, Europe and Eurasia Division, Office of Procurement, USAID. Discussant: Joel Levin, Director, NGO Support Programs, Counterpart International

- Developing productive partnerships: what are the ingredients? Presenters: Elise Stork, Sr. Public Liaison Officer, Office of Legislative and Public Affairs, USAID and Robert Chase, Vice President, World Learning

2:30 - 3:45 PM Break-out sessions on the afternoon's topics:

Facilitators and rapporteurs provided by the Europe  
and Eurasia Bureau, USAID

Managing for Results (Room H)

Panelist: Barbara Brocker

Panelist: Michael Morfit

Facilitator: Gloria Steele

Rapporteur: Sherry Grossman

2:30 - 3:45 PM Break-out Sessions (cont):

Selection of Implementing Mechanisms (Room J)

Panelist: Anne Quinlan

Panelist: Joel Levin

Facilitator: Barry MacDonald

Rapporteur: Nicholas Studzinski

Developing Productive Partnerships (Room K)

Panelist: Elise Storck

Panelist: Robert Chase

Facilitator: Viviann Gary

Rapporteur: Stephen Haykin

3:45 - 4:00 PM Break

4:00 - 4:45 PM Plenary: Reports from the afternoon breakout sessions (Salon I)

4:45 - 5:00 PM Closing Remarks: Donald L. Pressley

5:00 PM Adjourn

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The Bureau for Europe and Eurasia's

### **Strategic Framework**

December 1999

Vision for the Europe and Eurasia Region:

To establish sustainable partnerships between the United States and the countries of Europe and Eurasia, between these countries and other regions of the world, and among the countries themselves.

#### Strategic Assistance Area I -- Economic Restructuring

Goal: **Foster the emergence of a competitive, market-oriented economy in which the majority of economic resources is privately owned and managed.**

- SO 1.1: Increased transfer of state-owned assets to the private sector.
- SO 1.2: Increased soundness of fiscal policies and financial management practices.
- SO 1.3: Accelerated development and growth of private enterprises.
- SO 1.4: A more competitive and market responsive private financial sector.
- SO 1.5: A more economically sound and environmentally sustainable energy system.
- SO 1.6: Increased environmental management capacity to support sustainable economic growth.

#### Strategic Assistance Area II -- Democratic Transition

Goal: Foster democratic societies and institutions through empowerment of citizens, independent media, and rule of law and good governance.

- SO 2.1: Increased, better-informed citizens' participation in political and economic decision-making.
- SO 2.2: Legal systems that better support democratic processes and market reforms.
- SO 2.3: More effective, responsive and accountable local governance.

#### Strategic Assistance Area III -- Social Transition.

Goal: Enhance the ability of all persons to enjoy a better quality of life within market economies and democratic societies.

- SO 3.1: Strengthened humanitarian response to crises.
- SO 3.2: Increased promotion of good health and access to quality health care.
- SO 3.4: Mitigation of adverse social impacts of the transition to market-based democracies.

#### Strategic Assistance Area IV:

- SO 4.1: Special Initiatives
- SO 4.2: Cross-Cutting Programs

United States Agency for International Development

Bureau for Europe and Eurasia

**From Transition to Partnership**

## **Strategic Framework for USAID Programs**

### **In Europe and Eurasia**

#### **Executive Summary**

The United States has compelling national interests in the political and economic stability of the Central and Eastern Europe (CEE) and Eurasia Region. With the collapse of communism in Central and Eastern Europe in the late 1980s and the break up of the Soviet Union in 1991, the United States began programs of foreign assistance to help foster transition towards democratic institutions and free markets. Since 1989, approximately \$9.4 billion in foreign assistance (exclusive of food aid) has been provided to 27 countries in Europe and Eurasia (E&E).

This paper lays out USAID's framework for future relations with the diverse countries of the Europe and Eurasia region. It will serve as a foundation for more detailed country strategic plans, and for assessing and reporting on the performance of USAID programs.

The vision for E&E Bureau programs is that economic and political transition will culminate in sustainable partnerships between nations, and that this will be further reflected in partnerships among institutions - both public and private - with the U.S. and among E&E countries. USAID programs in economic restructuring, democratic transition, and social transition will contribute to the achievement of this vision and support US foreign policy objectives in promoting economic and political stability and transition to market democracies.

This strategic framework builds upon lessons learned and insights gained over the past ten years. A number of critical themes are carried forward:

- supporting changes in the role of government in transition countries, to achieve a balance between the functions of government and the freedoms of the private sector and civil society;
- fostering greater participation of the public in the market economy and political institutions;
- preventing and mitigating conflict;
- balancing support for the systemic policy and institutional changes required for transition to a market economy with selective, shorter-term interventions to respond to humanitarian crises and to sustain support for the reform process;
- building institutions for market democracy;
- integrating gender considerations; and
- combating corruption.

At the same time, this strategic framework signals significant changes in emphasis and approach. It recognizes that institutions in many countries have already undergone extensive transformation over the past decade. In the Northern Tier of the CEE (Poland, Hungary, the Czech Republic, Slovakia, Latvia, Estonia, Lithuania and Slovenia) bilateral assistance programs are ending and new relationships are being defined. In these countries, USAID will foster partnerships and share expertise and best practices through post-presence, "legacy" mechanisms that minimize the use of U.S. Government funds. In contrast, in the countries of Southeast Europe (Romania, Bulgaria, Macedonia, Albania, Bosnia and Herzegovina, Croatia and the Federal Republic of Yugoslavia) and Eurasia (Russia, Ukraine, Belarus, Moldova, Azerbaijan, Armenia, Georgia, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan) the transition to market-oriented economies and democratic institutions is

incomplete. For these countries, USAID plans to address selected constraints to transition, recognizing that the timeframe for assistance will be longer, and the impacts less dramatic, than anticipated at the beginning of the last decade. Future programs will recognize the critical need to establish and strengthen rule of law, and the growing impatience in many countries with the reform process. Where conditions are favorable, such as in Southeast Europe, regional programs will reinforce ties between countries and promote their closer integration into the world economy.

Social transition issues take on increasing importance as a complement to efforts to foster economic and political reforms. The collapse of old institutions, and the fits and starts of transition have left greater poverty and hardship than anticipated at the beginning of transition. Political will and popular support for reform were always uneven within the region but have become weaker, in many countries, with the passage of time. USAID has a role to play in bringing the benefits of systemic change to a broader population and helping to improve quality of life. Though limited in terms of resources, USAID programs can play a catalytic role. Improving standards of living of populations in Europe and Eurasia will also help to increase the stability of the region.

Empowering populations and increasing economic opportunity at the provincial and local levels within countries is a major complement to continuing efforts to foster transition at the national level. In many areas, national authorities have adopted *de jure* reforms, but the challenges of implementing reforms carry on to the local level. In other situations, needed changes are not yet feasible at the national level, but work at the local or grassroots level may build demand for future change. Indeed, activities at the local level are often best suited to address the needs of the people of the E&E region.

#### Overview of the Assistance Environment

Part I of this document highlights the context for assistance to E&E countries. U.S. national interests include: maintaining regional stability -- especially reducing the threat posed by weapons of mass destruction; promoting commercial opportunities and the stability of world markets for oil and gas; spreading democracy and human rights; responding to humanitarian needs; addressing global environmental and health concerns; and integrating gender considerations.

#### USAID's Transition Experience

Part II summarizes progress during the first decade of USAID assistance and remaining challenges.

In economic restructuring: A number of countries have made notable progress stabilizing their economies; some have posted strong economic growth. Small-scale privatization is well advanced or completed in 22 of 27 E&E countries. Fiscal reforms have improved tax collection in 13 countries and cut fiscal deficits to under 3 percent of GDP in seven countries. Policies, laws and regulatory frameworks for private enterprise have been improved, with ten countries acceding to the World Trade Organization by Fall of 1999. Banking systems in 18 countries have been strengthened in accordance with international standards. Energy prices are at or near full cost-recovery levels in most Northern Tier countries, Romania and Kazakhstan; autonomous energy regulatory agencies have been established in 12 countries. Sound environmental frameworks have been put in place in five countries; and groundbreaking forestry codes have been adopted in Russia.

Remaining challenges include: unfinished reforms - a myriad of policies, laws, regulations and bureaucratic practices still retard private investment and production, and perpetuate both waste and opportunities for corruption; inefficiencies and market failures in financial services; inadequate preparation for participation in the global market economy; unreformed energy systems, which are a major contributor to many of the region's economic, social and environmental problems; and a legacy of pollution and environmental degradation that threatens social welfare and economic transition in the region.

In democratic transition: Generally free and fair elections have been held in 16 countries. An estimated 150,000 non-governmental organizations have been established across the region; they are addressing pressing social, economic, political and environmental issues. Independent media in 13 countries are operating relatively free of government control. Comprehensive frameworks for the administration of justice have been or are being developed in seven countries. Local governments in 11 CEE countries and 6 Eurasia countries have taken steps to become more responsive to the needs of their constituents.

However, in many E&E countries: Further changes are needed in individuals' attitudes and behavior in order to sustain economic and political transition. Democratic processes and civil society organizations are not firmly implanted, and social capital is limited. Independent media face the threat of government interference in many instances, while their financial viability is constrained by weak economies. Limited political will, lack of judicial independence, and corruption are critical obstacles to establishing impartial rule of law. Democratic local governance is in its infancy, and many regional and local governments operate under severe resource constraints.

In social transition: USAID has helped to reduce human suffering for millions of people in times of crisis. Broad-based humanitarian assistance has helped countries to emerge from crises and lay the foundations for their transitions to market democracy. Successful models for reproductive health care services have improved women's health and reduced the prevalence of abortion. Private provision of primary and preventative health services has been demonstrated and, in some instances, replicated through other donor financing. Models for the control and treatment of tuberculosis have been established. Successful HIV/AIDS communication campaigns and partnerships have been undertaken. Frameworks for social insurance and social safety net programs have been tested and established in some countries. Environmental health threats at specific sites have been significantly reduced.

Remaining challenges include: public financing constraints, which limit support for social programs; continuing burdens and risks of humanitarian crises, including complex emergencies caused or exacerbated by conflict; deteriorating health systems and, in many countries, declining health status; containing the spread of tuberculosis and HIV/AIDS; economic conditions and policy constraints that contribute to unemployment, under-employment, and low productivity; pervasive poverty and income inequality which presents an additional burden to governments already struggling to balance their budgets; inadequate and unsustainable social insurance systems and social safety nets; specific populations vulnerable to violence, exploitation, discrimination, poverty and neglect; and existing education systems that are failing to reach and prepare a growing proportion of the E&E population for participation in emerging market democracies.

### Strategic Directions

Part III describes the E&E vision of sustainable partnerships, presents salient implications of lessons learned in the first decade of assistance, and discusses the increasing regional differentiation of programs.

Lessons learned and their implications include:

- Transition requires profound changes, both in individuals' attitudes and behavior, and in institutional capacity. The institutional capacity required to establish and manage the fundamental operations of market democracies was underestimated; in some countries, transition will take longer than originally foreseen.
- Political will and leadership are critical to successful reform; individual participation is also essential to shape and deepen the reform process. USAID can reach out to a broader constituency and help to create consensus on and support for reforms.

- Corruption erodes public support for reform and restrains private sector growth and, thus, foreign investment.
- Establishing rule of law is essential for democratic reforms to take root, for a thriving private sector, and for effective social programs.
- Social progress has failed to meet the expectations engendered by the shift to market economies, undermining public support for needed reforms; in a number of countries, social conditions have deteriorated.
- Integrating gender considerations throughout USAID's human and institutional reform and development activities will deepen the transition process.
- Small and medium enterprises are increasingly recognized as the most dynamic segment of the private sector.
- Community and regional development approaches are well suited to building cross-sectoral linkages and delivering the benefits of reform directly and tangibly to people.
- Civil war or separatist movements, ethnic violence, crime, and anarchy present unique challenges in the transition to democracy and market-based prosperity.
- Many of the remaining challenges in economic, political and social transition are tightly interwoven. Interdisciplinary approaches are needed to tackle complex issues such as the fight against corruption, social transition, local development, gender equity, and conflict prevention.
- Sharing ideas and experiences within the region can facilitate change as countries confront similar constraints in their transition processes.
- USAID has been successful - and must continue - in coordinating with other US Government agencies and other donors, and in leveraging billions of dollars, beyond its own resources, for the region.

In the CEE Northern Tier, where countries are graduating from bilateral assistance, USAID's "legacy" and regional mechanisms will reinforce the sustainability of results achieved, and promote lasting institutional linkages between countries. In Southeast Europe, new regional approaches to achieving stability and reinvigorating economies are being combined with strong, well-focused bilateral assistance programs. In Eurasia, bilateral assistance programs are tailored to country-specific transition challenges and to building the institutional capacity for market democracies; as appropriate, USAID also fosters international partnerships benefiting this sub-region. For common concerns across the Europe and Eurasia Region, the Bureau will continue to design cost-effective, regional activities to foster information sharing and partnerships.

## Strategic Framework

Part IV presents the E&E Bureau's Strategic Framework for 2000 and beyond. In conjunction with the State Department's Strategic Plan for International Affairs and USAID's Strategic Plan, this framework provides a basis for setting assistance priorities through specific country strategic plans and regional support activities. USAID Missions are expected to tailor and focus their programs in response to the most critical transition issues in their respective countries. The framework is comprised of the E&E Bureau's vision and three strategic assistance areas, with twelve strategic objectives:

Vision for the E&E Region: To establish sustainable partnerships between the United States and the countries of Europe and Eurasia, between these countries and other regions of the world, and among the countries themselves.

### Strategic Assistance Area I -- Economic Restructuring

Goal: **Foster the emergence of a competitive, market-oriented economy in which the majority of economic**



**resources is privately owned and managed.**

- Increased transfer of state-owned assets to the private sector.
- Increased soundness of fiscal policies and financial management practices.
- Accelerated development and growth of private enterprises.
- A more competitive and market responsive private financial sector.
- A more economically sound and environmentally sustainable energy system.
- Increased environmental management capacity to support sustainable economic growth.

Strategic Assistance Area II -- Democratic Transition

Goal: Foster democratic societies and institutions through empowerment of citizens, independent media, rule of law and good governance.

- Increased, better-informed citizens' participation in political and economic decision-making.
- Legal systems that better support democratic processes and market reforms.
- More effective, responsive and accountable local governance.

Strategic Assistance Area III -- Social Transition.

Goal: Enhance the ability of all persons to enjoy a better quality of life within market economies and democratic societies.

- Strengthened humanitarian response to crises.
- Increased promotion of good health and access to quality health care.
- Mitigation of adverse social impacts of the transition to market-based democracies.

Program Implementation and Performance Measurement

Part V discusses the role of the strategic framework in country programming and program implementation, and performance measurement issues. Additional Management Considerations are addressed in Annex A.

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